

DETROIT ECONOMIC GROWTH CORPORATION

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September 30, 2014

The Honorable Frank Foster
Michigan House of Representatives
PO Box 30014
Lansing MI 48909

Re: House Bill 5856 - Draft introduced 9/24/14

Dear Representative Foster:

Thank you for the continued opportunity to comment on House Bill 5856, which proposes certain amendments to PA 197 of 1975, the Downtown Development Authority Act ("Act 197"). As a nonprofit economic development agency that has staffed the City of Detroit's (the "City") public redevelopment authorities since 1978, the Detroit Economic Growth Corporation ("DEGC") has used tax-increment finance ("TIF") to leverage over \$13 billion in private investment in the City. The City of Detroit Downtown Development Authority (the "DDA") alone has invested approximately \$332 million in the City's central business district to leverage almost \$4 billion in investment. We believe that TIF should continue to be an important economic development tool for local communities.

We have the following comments regarding House Bill 5856 as currently drafted:

1. Proposed amendment to Section 1(cc)(iii)(D) [page 16, line 14]

The DEGC recommends eliminating this proposed amendment. This amendment would exclude from capture taxes levied under 1939 PA 147, MCL 119.51 to 119.62 [Huron-Clinton Metropolitan Authority]. Each taxing jurisdiction, including the Huron-Clinton Metropolitan Authority ("HCMA"), had the opportunity to exempt its levy from capture prior to the formation of the DDA and the opportunity to exempt its levy from capture from each expansion of the DDA's development area. HCMA and other taxing jurisdictions have continually declined to exercise this opt-out right. Consequently, the DDA projects its expenditures and obligates itself to bonded indebtedness obligations and contractual obligations based upon tax increment revenue projections; any unanticipated loss of revenues as a result of any statutory exemptions or expanded opt-out rights could jeopardize the DDA's ability to meet such obligations.



2. Proposed amendment to Section 7(1)(m) [page 23, line 23]

The DEGC recommends that this proposed amendment be modified to apply to such activities within the downtown district, rather than the development area. This modification would be consistent with other provisions in Section 7(1) including subsections (a), (b), (c), (n), (o), (q), and (r).

3. Proposed amendment to Section 8(1) [page 25, commencing at line 14]

The DEGC generally supports the addition of these public disclosure requirements; however, we provide the below suggestions (in redline form) intended to provide more clarity on what is required to be posted on an authority's website and for what time period:

Sec. 8. (1) THE AUTHORITY OR THE MUNICIPALITY CREATING THE AUTHORITY SHALL CAUSE TO BE CREATED, OPERATED, AND REGULARLY MAINTAINED A WEBSITE WITH ALL THE FOLLOWING AUTHORITY RECORDS AND DOCUMENTS INCLUDING ALL OF THE FOLLOWING:

(A) MINUTES OF ALL BOARD MEETINGS FROM THE PREVIOUS 24 CONSECUTIVE CALENDAR MONTHS.

(B) ANNUAL BUDGET FOR THE AUTHORITY'S CURRENT FISCAL YEAR AND TWO FISCAL YEARS MOST RECENTLY COMPLETED.

(C) ANNUAL AUDITS FOR THE TWO FISCAL YEAR MOST RECENTLY COMPLETED.

(D) CURRENTLY ADOPTED DEVELOPMENT PLAN.

(E) CURRENTLY ADOPTED TAX INCREMENT FINANCE PLAN.

(F) LIST OF ALL AUTHORITY SPONSORED AND MANAGED EVENTS FROM THE PREVIOUS 24 CONSECUTIVE CALENDAR MONTHS.

(G) CURRENT AUTHORITY STAFF CONTACT INFORMATION.

(H) ~~ALL~~ CURRENT PROMOTIONAL AND MARKETING MATERIALS.

(I) AMOUNT OF TAX INCREMENT REVENUES CAPTURED FOR THE AUTHORITY'S CURRENT FISCAL YEAR AND TWO FISCAL YEARS MOST RECENTLY COMPLETED FOR EACH TAXING JURISDICTION THAT LEVIES AD VALOREM PROPERTY TAXES OR SPECIFIC LOCAL TAXES WITHIN THE BOUNDARIES OF THE AUTHORITY.

(J) ~~OTHER DOCUMENTS~~ CURRENT CONTRACTS RELATED TO MANAGEMENT OF THE AUTHORITY.

4. Section 15(3)(h) thru (n) [pages 27-28, commencing at page 27, line 26]

The DEGC generally supports the addition of these public disclosure requirements through the annual report; however, we provide the below suggestions (in redline form) intended to provide more clarity on what is required to be included and to provide flexibility for authorities that do not have access to the information requested:

(H) THE TOTAL NEW PUBLIC INVESTMENT BY THE AUTHORITY IN EACH OF THE DEVELOPMENT AREAS.

(I) TO THE EXTENT SUCH INFORMATION IS CONTROLLED BY OR READILY ACCESSIBLE TO THE AUTHORITY:

(i) THE TOTAL VALUE OF ALL PROJECTS FOR WHICH A BUILDING PERMIT WAS ISSUED FOR NEW PRIVATE INVESTMENT WITHIN EACH OF THE DEVELOPMENT AREAS.

(Jii) THE TOTAL NUMBERS OF BUSINESSES THAT WERE ESTABLISHED IN OR LEFT EACH OF THE DEVELOPMENT AREAS.

(Kiii) THE TOTAL NUMBER OF NEW BUILDINGS OR ADDITIONS TO BUILDINGS WITHIN EACH DEVELOPMENT AREA.

(Ji) THE TOTALS RECEIVED BY THE AUTHORITY OR OTHER ENTITIES OR PERSONS WITH WHICH IS IT COOPERATING IN SPONSORSHIPS, CASH, AND IN-KIND SERVICES FOR EVENTS, PROGRAMS, AND PROJECTS WITHIN EACH DEVELOPMENT AREA.

(KM) THE AMOUNTS OF ANY FUNDS OTHER THAN TAX INCREMENTS REVENUES USED BY THE AUTHORITY FOR ANY PROJECTS OR ACTIVITIES IN THE DEVELOPMENT AREAS.

(LA) AVAILABLE INFORMATION ON OUTCOMES RESULTING FROM THE EXPENDITURES OF TAX INCREMENT REVENUES MEASURING OR ESTIMATING ALL OF THE FOLLOWING WITH RESPECT TO EACH DEVELOPMENT AREA:

(i) JOB GROWTH.

(ii) GROWTH IN THE CREATION OF NEW BUSINESSES.

(iii) GROWTH IN EXISTING BUSINESSES.

(iv) COMMERCIAL OR INDUSTRIAL BUILDING VACANCY RATES.

(v) RESIDENTIAL GROWTH.

(vi) INCREASED ACTIVITY FROM EVENTS, CONVENTIONS, CONFERENCE, CONCERTS, TOURISM, OR SIMILAR ACTIVITIES OR EFFORTS.

(vii) INCREASED ECONOMIC ACTIVITY IN THE REGION IN WHICH THE AUTHORITY IS LOCATED.

(viii) EVIDENCE OF THE REVERSAL OF BLIGHT OR DETERIORATION IN DEVELOPMENT AREAS OR SURROUNDING NEIGHBORHOODS.

(ix) RESULTS OF REPURPOSING DEVELOPMENT AREAS TO IMPROVE ECONOMIC VIABILITY OR VITALITY.

5. Proposed amendment to Section 15(4) [page 29, line 9]

While the DEGC generally does not object to the addition of this proposed subsection to limit the ability of Authorities to accumulate tax increment revenues, we recommend deleting the language **“but not more than 15 years”** from this section. This will ensure that authorities will be able to incur long-term obligations using accumulated tax increment revenues where the development plan so provides.

6. Additional Amendment to Section 11

In addition to the comments to proposed amendments outlined above, the DEGC respectfully requests the inclusion in House Bill 5856 of the proposed amendment to Section 11 of Act 197 set forth below. This provision is substantially similar to a provision included as Section 27 of PA 338 of 1974, MCL 125.1601 et seq [The Economic Development Corporations Act] and is intended to ensure that municipalities and state agencies are empowered to use funds and other assets and resources within their control to assist authorities accomplish their public purposes. The DEGC recommends including this provision in Section 11 or such other section of House Bill 5856 as the Committee deems appropriate.

Section 11. Financing activities of authority; disposition of money received by authority; municipal obligations; **POWERS OF PUBLIC BODIES**

...

(3) ANY MUNICIPALITY AND ANY AGENCY OR DEPARTMENT THEREOF, OR ANY OTHER OFFICIAL PUBLIC BODY, MAY DO ANY OF THE FOLLOWING:

(A) ANYTHING NECESSARY OR CONVENIENT TO AID IN THE PLANNING AND EXECUTION OF A DEVELOPMENT PLAN.

(B) LEND, GRANT, TRANSFER, OR CONTRIBUTE FUNDS TO THE AUTHORITY IN FURTHERANCE OF ITS PUBLIC PURPOSES.

(C) USE ANY FUNDS WITHIN ITS CONTROL, INCLUDING FUNDS DERIVED FROM THE SALE OR FURNISHING OF PROPERTY, SERVICE, OR FACILITIES TO THE AUTHORITY, IN THE PURCHASE OF BONDS OR OTHER OBLIGATIONS OF THE AUTHORITY, AND TO EXERCISE ANY RIGHTS CONNECTED WITH SUCH BONDS OR OTHER OBLIGATIONS OF THE AUTHORITY WHICH IT HOLDS.

(D) ENTER INTO AGREEMENTS UP TO 50 YEARS WITH THE AUTHORITY REGARDING ACTION IT WILL TAKE PURSUANT TO THE PROVISIONS OF THIS SECTION.

(E) LEND, GRANT, TRANSFER, OR CONVEY FUNDS RECEIVED FROM THE FEDERAL OR STATE GOVERNMENT OR FROM ANY NONGOVERNMENTAL ENTITY IN AID OF THE PURPOSES DESCRIBED IN SECTION 2, AND THE AUTHORITY MAY ACCEPT THESE FUNDS.

(4) ANY STATE AGENCY OR DEPARTMENT MAY DO ANY OF THE FOLLOWING:

(A) LEND COOPERATION AND ASSISTANCE TO THE MUNICIPALITY AND THE AUTHORITY.

(B) DISBURSE FUNDS TO THE AUTHORITY IN ACCORDANCE WITH THE TERMS AND CONDITION OF ANY GRANT OR TRANSFER OF FUNDS FROM THE FEDERAL GOVERNMENT OR ITS AGENCIES OR ANY NONGOVERNMENTAL ENTITY.

We are pleased that many of the damaging revisions to Act 197 that were contained in previous drafts were not included in House Bill 5856. **However, if these provisions were**

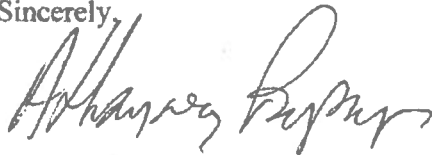
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reincorporated, our position on the bill would need to be re-evaluated, and would like to go from tentative support to complete opposition.

Again, we urge the House Commerce Committee to act cautiously with respect to wide scale TIF reform given the complex implications that seemingly simple changes might have in local communities. These changes should be discussed publicly with a representative group of stakeholders and affected parties.

I thank you for your consideration and am happy to answer any questions at (313) 237-4638.

Sincerely,



Art Papapanos
Vice President, Board Administration

cc: The Honorable Eileen Kowall, State House District 44
Malika Abdul-Basir, House Commerce Committee
Members of the House Commerce Committee
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